

Message Text

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E.O. 11652: N/A

TAGS: ELAB, NL, AFIN

SUBJECT: GOVERNMENT DICTATES WAGE ROUND

REF: THE HAGUE 3601

1. ECONOMICS MINISTER LUBBERS AND SOCIAL AFFAIRS MINISTER BOERSMA JOINTLY ANNOUNCED JULY 8 THAT THE GOVERNMENT HAS DECIDED TO DICTATE THE WAGE INCREASE FOR THE SECOND HALF OF THE YEAR IN VIEW OF THE INABILITY OF UNIONS AND EMPLOYERS TO REACH AGREEMENT. THE GOVERNMENT PROPOSAL, A MIXTURE OF A CASH INCREASE OF 30 GULDERS (\$11.00) PER MONTH AND SOCIAL PREMIUM ADJUSTMENTS, COULD BECOME LEGALLY EFFECTIVE BY JULY 14. THE WAGE PACKAGE IS EXPECTED TO BRING THE INCREASE IN INDUSTRY'S WAGE BILL THIS YEAR TO 9.2 - 9.4 PERCENT.

2. THE FOLLOWING TABLE SHOWS THE IMPACT OF THE GOVERNMENT PACKAGE ON NET (TAKE-HOME) PAY FOR VARIOUS INCOME GROUPS (2.73 GULDERS EQUAL \$1.00):

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ANNUAL INCOME NET INCREASE PER MONTH PURCHASING POWER

(GUILDERS)	(GUILDERS)	(PERCENT)
17250(MIN WAGE)	36	PLUS 1.2
20000	37	PLUS 0.7
23000	40	PLUS 0.5
24750(MODAL WORKER)	41.50	PLUS 0.4
46000	30	MINUS 1.3
92000	16.50	MINUS 1.9

PURCHASING POWER CALCULATIONS ARE BASED ON OFFICIALLY FORECAST 8.5 PERCENT INFLATION IN 1976. ACCOMPANYING THE WAGE MEASURES ARE A RESTRICTION OF PRICE INCREASES TO TWO PERCENT FOR THE REST OF THE YEAR (NECESSARY TO MEET 8.5 PERCENT FORECAST, SINCE FIRST HALF RISE IS ALREADY NEAR 6.5 PERCENT), POSTPONEMENT OF A PLANNED UTILITY RATE INCREASE AND A FREEZE ON PROFESSIONALS' FEES.

3. THE SOCIAL PREMIUM ADJUSTMENTS IN THE PACKAGE ARE EXPECTED TO COST THE GOVERNMENT 60 MILLION GUILDERS IN 1976 AND 260 MILLION IN 1977. FINANCE MINISTER DUISENBERG HAS SUCCESSFULLY INSISTED THAT THE INCREASED COSTS BE MET BY MEANS OF ECONOMIES ELSEWHERE. DUISENBERG ALSO SUCCESSFULLY OPPOSED POSTPONEMENT OF THE TWO PERCENT INCREASE IN THE VALUE-ADDED TAX DUE OCTOBER 1.

4. THE GOVERNMENT DECISION HAS TOUCHED OFF PROTEST FROM BOTH EMPLOYERS AND UNIONS, WITH THE LATTER TAKING THE HARDER LINE. THE DUTCH TRADE UNION FEDERATION (FNV) HAD WANTED A 55 GUILDER INCREASE FOR THE MODAL WORKER, AND THE UNION'S CHAIRMAN, WIM KOK, HAS STRONGLY ATTACKED THE GOVERNMENT OVER THE IMPOSED FIGURE OF 41.50 GUILDERS. KOK, UNDER PRESSURE FROM HIS RANK AND FILE MEMBERSHIP AND FROM THE FNV'S TWO LARGEST CONSTITUENT UNIONS, THE INDUSTRIAL AND TRANSPORT WORKERS, HAS "FLATLY REJECTED" THE WAGE MEASURE, CALLING IT A BREACH OF FAITH BETWEEN THE CABINET AND THE UNIONS. THE SMALLER PROTESTANT FEDERATION (CNV) ALSO EXPRESSED DISAPPOINTMENT, BUT WILL NOT OPPOSE THE GOVERNMENT'S SETTLEMENT.

5. KOK HAS APPEALED TO PARLIAMENT, WHICH IS NOW IN RECESS, TO HOLD A DEBATE ON THE ISSUE AND THE CHAIRMAN OF THE FNV LIMITED OFFICIAL USE

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TRANSPORT WORKERS UNION THREATENED A STRIKE. THOSE PARLIAMENTARY LEADERS WHO ARE STILL IN THE COUNTRY ARE, AT THE MOMENT, STEERING CLEAR OF GETTING SECOND CHAMBER ACTIVELY INVOLVED, AND, IN GENERAL ARE SUPPORTIVE OF GON DECISION.

6. COMMENT: WE WOULD NOT FORECLOSE POSSIBILITY OF TOKEN STRIKES, BUT, UNLESS FNV DECIDES EXERT REAL PRESSURE ON LABOR (PVDA) PARTY, WE DOUBT THAT PARLIAMENT WILL BE CALLED

BACK TO TACKLE WHAT COULD ONLY BE A DIVISIVE AND DIFFICULT
POLITICAL ISSUE IN A PRE-ELECTION PERIOD.
BROWN

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